

BUDGET BASICS

- Total federal government spending in FY 2003 will be \$2.1 trillion.
- Discretionary government spending in FY 2003 will increase by 8.5% to win the war, to protect the homeland, and defeat the recession.
- Growth in spending for programs outside of defense and homeland security is held to 2%.
- The budget relies on conservative and realistic economic assumptions that reflect the realities of our recovering economy. The budget's economic assumptions are actually more conservative than the average Blue Chip forecasts. We assume the economy will grow at 0.7% for 2002, 3.8% for 2003 and an average of 3.1% over the next 10 years. The average Blue Chip forecast is 1% for 2002 and 4.3% for 2003.
- The 2002 deficit is expected to be 1% of the GDP -- significantly lower than the deficits of 3-6% during previous recessions in the last 40 years.
- The Budget contains the largest increase in defense spending in 20 years. The total defense spending request is \$369 billion -- a \$38 billion increase (or 12%) -- with an additional \$10 billion for additional operations in the war on terrorism.
- The budget provides \$38 billion to protect Americans at home against terrorists and other threats -- an \$18 billion increase over 2002 and a virtual doubling of the pre-September 11th levels. The homeland security budget does not include costs associated with fighting the war on terrorism overseas. Those costs are reflected in the defense budget.
- The Budget contains the President's economic stimulus package that speeds up tax reductions passed by Congress last year, gives tax refunds to lower and moderate income Americans, extends unemployment benefits, increases job training resources, helps unemployed workers retain their health insurance coverage, and gives tax incentives to help spur new investments and job growth.
- The Budget makes available in FY 2003 a total of \$9.3 billion to help unemployed workers get job training, health care assistance, and get back to work.
- Economic changes accounted for two-thirds of the decline in the projected 2002 surplus. Spending accounted for an additional 20% of the decline. Economic changes and spending combined accounted for 86% of the reduction in the surplus. Tax relief only accounted for 14% of the decline.
- The President's proposal will balance the budget by 2004 or 2005, assuming the government pursues aggressive economic growth policies and controls spending.
- The President's budget strengthens standards and instills accountability by reforming management and budget practices, and linking program funding to program results.